GAO

United States General Accounting Office

Fact Sheet for the Honorable
Howard M. Metzenbaum, U.S. Senate

September 1988

TELECOMMUNICATIONS

Ohio Cable Television Rate Increases, 1986 to Present

GAO/RCED-88-236FS

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-226720

September 29, 1988

The Honorable Howard M. Metzenbaum
United States Senate

Dear Senator Metzenbaum:

In a meeting on August 9, 1988, your office requested us to obtain data and report on the extent of recent cable television rate increases in Ohio. As agreed, we are providing information on rate increases since 1986 for 25 large cable companies serving subscribers in Ohio. Sections 1 through 4 of this fact sheet provide information on changes in these companies' rates for (1) the lowest priced basic cable service,[1] (2) the Home Box Office pay channel, and (3) installation. These sections compare the rates for services in 1986[2] with current rates (August 1988) and show the percentage changes for each company and for the 25 companies as a group. Section 5 computes for each company the basic service rate per channel offered. Sections 6 and 7 compare basic rate increases between companies charging higher and lower than average rates.

In summary, we found that, on average, the 25 Ohio companies we examined (1) increased basic service rates by 27 percent, (2) decreased Home Box Office rates by 2 percent, and (3) increased installation charges by 6 percent. While these 25 companies comprise 8 percent of Ohio's cable companies and together serve 1.1 million (about 59 percent) of Ohio's cable subscribers,[3] our sample was not selected in a manner which would enable us to project the results to all companies in the state.

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[1]Basic cable service is any service tier that includes retransmission of local television broadcast signals.

[2]The Cable Communications Policy Act of 1984 prohibited governmental regulation of cable rates in most communities, effective December 29, 1986.

[3]The Television and Cable Factbook, 1988 Edition, reported 1,911,892 basic subscribers in Ohio (p. B-841).

CABLE RATES HAVE GENERALLY INCREASED

The data we compiled show that, from 1986 to August 1988, basic service rates and installation charges have increased, while Home Box Office rates have declined slightly.[4] Basic cable service rate increases ranged from 0 to 76 percent, with an average increase per company of 27 percent (from $10.93 to $13.88 per month). Average basic service rates per subscriber increased 26 percent from $10.86 to $13.70. Home Box Office rates decreased on average per company by 2 percent, from $11.40 to $11.18 per month, with 20 of the 25 companies showing either no rate change or a decrease in rates. Installation rates increased on average by 6 percent per company, from $21.02 to $22.20.

The number of basic service channels currently offered by the 25 companies ranged from 12 to 37, with an average of 27 channels per company. Dividing each company's basic rate by the number of channels offered yields an average monthly cost per basic channel ranging from $.29 to $1.25.

We found a wide range of basic cable rates, ranging from $3.95 to $14.95 per month in 1986, and from $6.95 to $18.85 currently. In order to provide perspective on the extent to which rates increased in companies that were charging either higher or lower than average rates in 1986, we calculated rate increases separately for each group. We found that the 12 companies charging below average rates in 1986 increased their rates on average by 34 percent, from $9.14 to $12.22. In comparison, the remaining 13 above-average-priced companies increased their rates by 23 percent, from $12.58 to $15.42. We found little difference in the average number of basic channels currently offered by the lower and higher priced companies--an average of 26 channels versus 28 channels, respectively.

In reporting basic service rate changes, we did not assess the extent to which additional channels and services may have accompanied rate increases, providing added value to the basic cable subscriber. We could not determine whether additional channels were offered because we were unable to calculate, from the information sources we relied on for 1986 data, the number of basic channels offered prior to cable rate deregulation. Nor could we determine, from our information sources, whether formerly optional services

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[4]Because our starting point in 1986 was not always the same, we have not calculated average rate changes on an annual basis.

(second set connections, remote control units, etc.) were added to the post-deregulation basic service structure. In this regard, an official of a cable company that owns several companies in our survey informed us that his company had simplified its post-deregulation rate structures by including as basic service a number of services previously offered at extra cost.

We were able to determine, however, whether cable operators consolidated multiple tiers of basic channels into a broader single post-deregulation basic service structure. We found that 18 operators did not consolidate cable service tiers, while 3 systems did. Our data sources were not complete enough to determine the situation for the four other systems.

Our statistics do not take into account possible discounts and/or package rates for installation plus a combination of basic and pay services, which offer a savings over the individual rates added together. Therefore, the individual basic, Home Box Office, and installation charges we have reported do not necessarily represent the amount which a typical subscriber would be billed. Similarly, the rate changes we have reported are not necessarily indicative of what a typical subscriber has incurred.

SCOPE AND METHODOLOGY

As agreed with your office, we are providing a compilation of readily available 1986 data from government and industry data sources for the following--basic service rate, installation charge, and the rate for a popular pay channel--Home Box Office. To obtain current (August 1988) rate information, we conducted a telephone survey of the companies during the period August 15-30, 1988. The 25 companies we selected are among the largest[5] of the 314 operating in Ohio,[6] and had subscriber levels ranging from 16,000 to 157,000.

In performing our work, we used data from either (1) the Library of Congress Copyright Office or (2) Television and Cable Factbook, for information on cable company name, locations served, subscriber levels, and 1986 charges for

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[5]Our list does not necessarily represent the 25 largest cable operators in Ohio since we noted some discrepancies in subscriber data between our two data sources.

[6]Television and Cable Factbook, 1988 Edition, p. B-841.

basic service, installation, and Home Box Office. The Copyright Office obtains data semi-annually from cable operators and collects royalty payments from them as compensation for their rebroadcast of television signals from distant cities. Television and Cable Factbook is a commercially available annual reference book covering a wide range of cable company operations. Our primary source of information was the Copyright Office, where we obtained data directly from forms submitted and attested to by the cable companies. We used the Television and Cable Factbook in instances when it reported more current data, and when Copyright Office files were incomplete or inconclusive. In addition, where possible we compared data from both sources for consistency to check for discrepancies in the reported data.

Because we used two data sources, and since Television and Cable Factbook did not always report data as of the same date, the dates of comparison for our data were not always constant. To obtain baseline data for rates while they were still subject to regulation, we used 1986 data as near as possible and prior to December 29, 1986, the date rates were deregulated. The dates for the 1986 rates obtained ranged from January to December 1986. Similarly, the dates for current subscriber levels ranged from January 1987 to March 1988 and were also obtained from both these sources.

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As you requested, we did not obtain official agency comments on this fact sheet. However, we did discuss our work with Federal Communications Commission, Copyright Office, and industry officials in the course of identifying data sources and developing our methodology. As agreed, we plan no further distribution of this fact sheet for 3 days or until you publicly release it. At that time we will send copies to interested parties and make copies available to others upon request.

Appendix I lists major contributors to this fact sheet.

Sincerely yours,

Flora H. Milans

Flora H. Milans
Associate Director

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ABBREVIATIONS

GAO	General Accounting Office
HBO	Home Box Office

SECTION I

TWENTY-FIVE LARGE CABLE COMPANIES OPERATING IN OHIO

Name	Location	Number of Subscribers as of Date
Warner Cable Comm., Inc.	Cincinnati	157,000 - Mar. 1988
Buckeye Cablevision, Inc.	Toledo	108,000 - Mar. 1988
Warner Cable Comm., Inc.	Columbus	77,670 - Mar. 1988
Viacom Cablevision	Cleveland	75,590 - Mar. 1988
Warner Cable Comm., Inc.	Akron	73,624 - Sep. 1987
Coaxial Communications	Columbus	62,570 - Dec. 1987*
Continental Cablevision	Kettering	60,000 - Mar. 1988
Warner Cable of Canton	Canton	58,330 - Dec. 1987*
Cox Cable Cleveland Area	Parma	48,498 - Jan. 1988
Viacom Cablevision	Dayton	45,551 - Mar. 1988
American TV & Comm. Corp.	Columbus	38,000 - Jan. 1988
Mahoning Valley Cablevision	Warren	36,084 - Dec. 1987*
Continental Cablevision	Eastlake	32,275 - Dec. 1987*
Multichannel TV Cable	Mansfield	28,231 - Dec. 1987*
Miami Valley Cable, Inc.	Hamilton	27,991 - Dec. 1987*
Continental Cablevision	Springfield	23,813 - Dec. 1987*
TCI Cablevision of Ohio	Middletown	21,552 - Dec. 1987*
Dimension Cable, Inc.	Newark	21,239 - Jan. 1987
Massillon Cable TV, Inc.	Massillon	19,725 - Jan. 1988
Warner Cable Comm.	Youngstown	19,045 - Dec. 1987*
Armstrong Utilities, Inc.	Boardman	18,569 - Dec. 1987*
Continental Cablevision	Englewood	17,084 - Mar. 1988
Erie County Cablevision	Sandusky	16,416 - Dec. 1987*
TCI Cable	Zanesville	16,294 - Dec. 1987*
Century Ohio Cable TV Corp.	Portsmouth	16,000 - Jan. 1988
Total subscribers served		1,119,151

Source: Television and Cable Factbook, 1988 Edition, except where noted with asterisk--Library of Congress, Copyright Office.

SECTION 2

INCREASES IN MONTHLY BASIC CABLE RATES,
1986 TO AUGUST 1988

Name	Subscribers	Basic cable rate 1986	Basic cable rate Aug. 1988	Percent increase
Warner--Cincinnati	157,000	$ 3.95	$ 6.95	76
Mahoning Valley--Warren	36,084(a)	8.82	15.00	70
American--Columbus	38,000	10.95	17.95	64
Century Ohio--Portsmouth	16,000	8.35	12.95	55
Dimension--Newark	21,239	9.65	14.95	55
Continental--Springfield	23,813(a)	10.45(b)	14.75	41
Erie County--Sandusky	16,416(a)	8.75	12.20	39
Coaxial--Columbus	62,570(a)	13.95	18.85	35
TCI--Zanesville	16,294(a)	10.33	13.95	35
Warner--Youngstown	19,045(a)	11.55	15.05	30
Viacom--Dayton	45,551	10.95	13.95	27
Warner--Akron	73,624	12.95(c)	15.95	23
Continental--Eastlake	32,275(a)	11.00(d)	13.50	23
Buckeye--Toledo	108,000	11.95	14.50	21
Warner--Canton	58,330(a)	12.95(e)	15.45	19
Multichannel--Mansfield	28,231(a)	9.25(d)	10.95	18
Continental--Englewood	17,084	12.00(c)	14.00	17
Armstrong--Boardman	18,569(a)	10.25	11.95	17
Miami Valley--Hamilton	27,991(a)	9.92	11.50	16
TCI--Middletown	21,552(a)	9.92	11.50	16
Continental--Kettering	60,000	12.95(d)	14.95	15
Warner--Columbus	77,670	13.50	14.95	11
Viacom--Cleveland	75,590	13.95(d)	15.40	10
Cox Cable--Parma	48,498	14.95(d)	15.95	7
Massillon Cable--Massillon	19,725	10.00(d)	10.00	0
Average all companies		**$10.93**	**$13.88**	**27**
Average per subscriber		**$10.86**	**$13.70**	**26**

Source: **Name and Subscribers**--Television and Cable Factbook, 1988 Edition, except where noted (a)--Library of Congress, Copyright Office.
1986 Rates--as of June 1986, from Library of Congress, Copyright Office, except Television and Cable Factbook, 1987 Edition, as follows:
(b) as of January 1986
(c) as of November 1986
(d) as of December 1986
(e) as of September 1986
1988 Rates--GAO telephone survey, August 1988.

SECTION 3

CHANGES IN MONTHLY HOME BOX OFFICE (HBO) PAY CHANNEL CABLE RATES, 1986 TO AUGUST 1988

Name	HBO rate 1986	HBO rate Aug. 1988	Percent change
Century Ohio--Portsmouth	$ 9.95	$12.00	+21
Erie County--Sandusky	8.95	9.95	+11
Miami Valley--Hamilton	10.95	11.95	+9
TCI--Middletown	10.95	11.95	+9
Coaxial--Columbus	11.45(a)	11.95	+4
Buckeye--Toledo	8.95*	8.95*	0
Continental--Kettering	10.95(c)	10.95	0
Warner--Canton	12.95(b)	12.95	0
Viacom--Dayton	12.45	12.45	0
American--Columbus	10.95	10.95	0
Mahoning Valley--Warren	12.50	12.50	0
Continental--Eastlake	9.50(c)	9.50	0
Continental--Springfield	10.90(a)	10.90	0
Massillon Cable--Massillon	11.00(c)	11.00	0
Armstrong--Boardman	10.95	10.95	0
Continental--Englewood	10.95(d)	10.95	0
TCI--Zanesville	11.95	11.95	0
Warner--Akron	12.95(d)	11.95	-8
Warner--Youngstown	12.95	11.95	-8
Viacom--Cleveland	11.95(c)	10.95	-8
Warner--Columbus	11.00	10.00	-9
Dimension--Newark	12.45	10.95	-12
Cox Cable--Parma	11.50	10.00	-13
Warner--Cincinnati	13.95	11.95	-14
Multichannel--Mansfield	11.95	9.95	-17
Average all companies	**$11.40**	**$11.18**	**-2**

Note: * Rate for HBO not available; rate for Showtime channel was used.

Source: **1986 Rates**--as of June 1986 from Library of Congress, Copyright Office, except Television and Cable Factbook, 1987 Edition, as follows:
(a) as of January 1986
(b) as of September 1986
(c) as of December 1986
(d) as of November 1986

1988 Rates--GAO telephone survey, August 1988.

SECTION 4

CHANGES IN CABLE INSTALLATION CHARGES, 1986 TO AUGUST 1988

Name	Installation charge 1986	Installation charge Aug. 1988	Percent change
Buckeye--Toledo	$15.00	$25.00	+67
Armstrong--Boardman	25.00	39.00	+56
Continental--Englewood	20.00(a)	30.00	+50
TCI--Zanesville	20.00	30.00	+50
Continental--Eastlake	17.50(b)	25.00	+43
Continental--Springfield	18.00(c)	25.00	+39
Dimension--Newark	18.00	25.00	+39
Coaxial--Columbus	15.00	20.00	+33
Viacom--Dayton	15.00	20.00	+33
Miami Valley--Hamilton	20.00	25.00	+25
TCI--Middletown	20.00	25.00	+25
Warner--Columbus	25.00(d)	30.00	+20
Continental--Kettering	25.00(b)	30.00	+20
Cox Cable--Parma	20.00	24.00	+20
Warner--Cincinnati	19.95	20.00	0
Viacom--Cleveland	25.00(b)	25.00	0
Multichannel--Mansfield	15.00	15.00	0
Massillon Cable--Massillon	25.00(b)	25.00	0
Erie County--Sandusky	22.00	22.00	0
Century Ohio--Portsmouth	25.00	25.00	0
Warner--Canton	25.00(e)	15.00	-40
Warner--Youngstown	20.00	9.95	-50
Mahoning Valley--Warren	25.00	10.00	-60
Warner--Akron	25.00(a)	9.95	-60
American--Columbus	25.00	5.00	-80
Average all companies	**$21.02**	**$22.20**	**+6**

Source: **1986 Rates**--as of June 1986 from Library of Congress, Copyright Office, except Television and Cable Factbook, 1987 Edition, as follows:
(a) November 1986
(b) December 1986
(c) January 1986
(d) January 1985
(e) September 1986

1988 Rates--GAO telephone survey, August 1988.

SECTION 5

CURRENT BASIC CABLE RATES PER CHANNEL OFFERED

Name	Basic rate	Channels offered	Rate per channel
Warner--Columbus	$14.95	12	$1.25
Coaxial--Columbus	18.85	21	0.90
Multichannel--Mansfield	10.95	16	0.68
Warner--Youngstown	15.05	23	0.65
American--Columbus	17.95	28	0.64
Mahoning Valley--Warren	15.00	27	0.56
Cox Cable--Parma	15.95	30	0.53
Continental--Springfield	14.75	28	0.53
Dimension--Newark	14.95	29	0.52
Warner--Canton	15.45	30	0.52
Warner--Akron	15.95	31	0.51
Viacom--Cleveland	15.40	30	0.51
Massillon Cable--Massillon	10.00	20	0.50
TCI--Zanesville	13.95	28	0.50
Armstrong--Boardman	11.95	25	0.48
Viacom--Dayton	13.95	30	0.46
Continental--Kettering	14.95	33	0.45
Continental--Eastlake	13.50	30	0.45
TCI--Middletown	11.50	26	0.44
Miami Valley--Hamilton	11.50	26	0.44
Buckeye--Toledo	14.50	34	0.43
Continental--Englewood	14.00	33	0.42
Century Ohio--Portsmouth	12.95	31	0.42
Erie County--Sandusky	12.20	37	0.33
Warner--Cincinnati	6.95	24	0.29
Average all companies	**$13.88**	**27**	
Average per channel all companies			**$0.54**

Source: GAO telephone survey, August 1988.

SECTION 6

COMPARISON OF BASIC RATE INCREASES
ABOVE/BELOW AVERAGE 1986 RATES

Name	Subscribers	Basic cable rate 1986	Basic cable rate Aug. 1988	Percent increase
Cox--Parma	48,498	$14.95(d)	$15.95	7
Viacom--Cleveland	75,590	13.95(b)	15.40	10
Coaxial--Columbus	62,570(a)	13.95	18.85	35
Warner--Columbus	77,670	13.50	14.95	11
Warner--Canton	58,330(a)	12.95(c)	15.45	19
Continental--Kettering	60,000	12.95(b)	14.95	15
Warner--Akron	73,624	12.95(d)	15.95	23
Continental--Englewood	17,084	12.00(d)	14.00	17
Buckeye--Toledo	108,000	11.95	14.50	21
Warner--Youngstown	19,045(a)	11.55	15.05	30
Continental--Eastlake	32,275(a)	11.00(b)	13.50	23
American--Columbus	38,000	10.95	17.95	64
Viacom--Dayton	45,551	10.95	13.95	27
Above average 1986 rates	**716,237**	**12.58**	**15.42**	**23**
Continental--Springfield	23,813(a)	$10.45(e)	$14.75	41
TCI--Zanesville	16,294(a)	10.33	13.95	35
Armstrong--Boardman	18,569(a)	10.25	11.95	17
Massillon--Massillon	19,725	10.00(b)	10.00	0
Miami Valley--Hamilton	27,991(a)	9.92	11.50	16
TCI--Middletown	21,552(a)	9.92	11.50	16
Dimension--Newark	21,239	9.65	14.95	55
Multichannel--Mansfield	28,231(a)	9.25(d)	10.95	18
Mahoning Valley--Warren	36,084(a)	8.82	15.00	70
Erie County--Sandusky	16,416(a)	8.75	12.20	39
Century Ohio--Portsmouth	16,000	8.35	12.95	55
Warner--Cincinnati	157,000	3.95	6.95	76
Below average 1986 rates	**402,914**	**9.14**	**12.22**	**34**
Average all companies		**$10.93**	**$13.88**	**27**

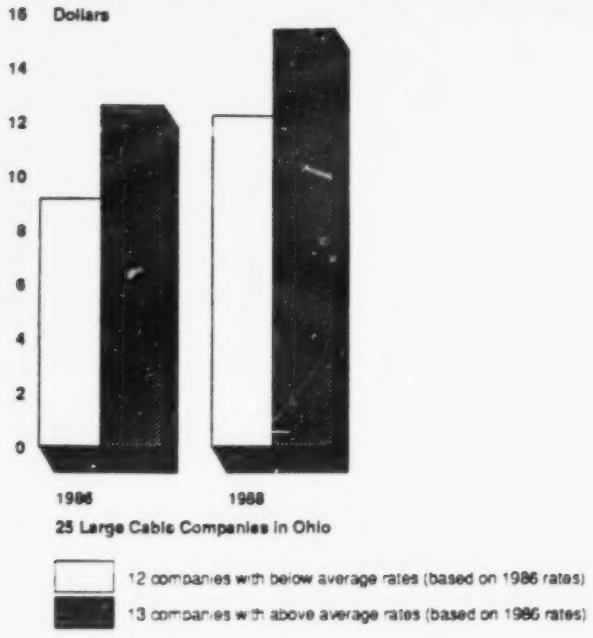
Source: **Name and Subscribers**--Television and Cable Factbook, 1988 Edition, except where noted (a) Library of Congress, Copyright Office.

1986 Rates--as of June 1986, from Library of Congress, Copyright Office, except Television and Cable Factbook, 1987 Edition, as follows:
(b) as of December 1986
(c) as of September 1986
(d) as of November 1986
(e) as of January 1986

1988 Rates--GAO telephone survey, August 1988.

SECTION 7

CABLE COMPANIES CHARGING BELOW AVERAGE RATES INCREASED RATES 34 PERCENT WHILE THOSE CHARGING ABOVE AVERAGE RATES INCREASED THEM 23 PERCENT



In total, companies charging below average rates had 402,914 subscribers while companies charging above average rates had 716,237 subscribers.

On average, companies charging below average rates offered 26 basic channels while companies charging above average rates offered 28 channels.

Cable companies charging below average rates charged $0.47 per basic channel while those charging above average rates charged $0.59 per channel.

APPENDIX I

MAJOR CONTRIBUTORS TO THIS FACT SHEET

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